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The University of Montana

NEWS RELEASE

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PROCESSING LUMBER, WOOD PRODUCTS IN STATE MIGHT BOOST REVENUE AND JOBS, UM RESEARCHERS SAY

MISSOULA --

Montana might increase its revenue and job pool by processing more of its lumber and wood products in state, according to the authors of an article in the summer issue of the Montana Business Quarterly.

The magazine is published by The University of Montana Bureau of Business and Economic Research.

Manufacturing products like cabinets, counter tops, furniture, signs, billboards, sporting goods and specialty art items may help counteract some of the projected 15-40 percent employment decline in the primary forest products industry over the next several years, say the authors of "A Profile of Montana's Secondary Wood and Paper Products Sector." They are bureau Director of Forest Industry Research Charles Keegan, bureau Research Assistant Daniel Wichman and UM forestry school Associate Dean Ed Burke.

In cooperation with the forestry school, the bureau conducted a census of Montana's secondary manufacturers -- firms manufacturing products from the output of the primary forest industry. The census identified the number and kinds of plants; type of products being manufactured; kinds and sources of primary wood products used as raw materials; number of employees and their payrolls; and market areas.

Montana's secondary industry has 215 plants, compared with 115 primary plants, but has considerably lower sales and employs fewer workers than primary plants, the census showed. The

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state's secondary plants have annual sales of \$144 million, compared with \$960 million in the primary sector, the authors say. Secondary manufacturers employ an average of 1,986 full- and part-time workers a year, while primary manufacturers employ more than 11,000.

Montana's secondary sector markets differ substantially from the state's primary sector markets, the authors maintain. During 1990, secondary manufacturers sold one-third of their output to buyers in Montana, while primary manufacturers sold less than 10 percent to Montana buyers.

However, about one-third of the secondary sector is directly attached to timber-processing facilities, and more than half get most of their wood product raw material from Montana's primary producers.

"No easy or obvious development pathways emerged from this initial look at the state's secondary wood products manufacturers," the authors say. "For many of Montana's secondary sector firms, growth may be constrained by the traditional barriers of distance to market, and relatively high transportation costs."

Some secondary firms don't seem to suffer a major transportation disadvantage, though, specifically those directly linked to the primary sector that add value without adding bulk and shipping costs, the authors say. Some of these firms include cut-stock processors and ones manufacturing high-value specialty items, such as decoys and other carved items.

"Future efforts should concentrate on market opportunities that can overcome transportation disadvantages," the authors say.

The Montana Business Quarterly is available for \$6 through the Bureau of Business and Economic Research, The University of Montana, Missoula, MT 59812; (406) 243-5113.

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